

STATE OF IOWA
DEPARTMENT OF COMMERCE
UTILITIES BOARD

IN RE: AMES MUNICIPAL ELECTRIC UTILITY	DOCKET NO. WRU-04-46-656
---	--------------------------

ORDER GRANTING WAIVER WITH CONDITIONS

(Issued November 5, 2004)

On September 28, 2004, the Ames Municipal Electric Utility (Ames Municipal) filed with the Utilities Board (Board) a request for waiver of the generating certificate requirements of Iowa Code chapter 476A. A supplement to the request was filed on October 11, 2004. The Consumer Advocate Division of the Department of Justice filed a response on October 6, 2004, stating that it did not object to the Board granting the waiver request. No objections or other responses to the waiver request were filed.

Ames Municipal seeks to construct a 27 MW combustion turbine in Ames, Iowa, for use as a peaking facility. Ames Municipal states it is proposing the facility to meet its customer peak and 15 percent planning reserve requirement through the year 2009. The facility is scheduled to open in May 2005. Ames Municipal currently has 126 MW of generating capacity.

Ames Municipal states that not only will the facility provide needed capacity, but the proposed generator will be connected to an existing 69 kV transmission loop within the Ames city limits. The proposed facility will be interconnected with

MidAmerican Energy Company and Interstate Power and Light Company. Ames Municipal contends the additional generation will provide voltage support and increase the reliability of the power supply to the area. The Iowa Department of Natural Resources (IDNR) issued an air quality permit for the facility on August 6, 2004. Ames Municipal notes that overall air emissions will be low because of the limited number of hours a peaking facility operates.

Ames Municipal's planned facility falls within the parameters of Board review under chapter 476A. Iowa Code § 476A.1(5) provides that a generating certificate must be obtained for any "facility" with a total capacity of 25 MW or more. However, Iowa Code § 476A.15 specifically grants the Board the authority to waive the requirements of Chapter 476A for any generation unit if it determines that "the public interest would not be adversely affected."

The decision criteria for a generation certificate are found in Iowa Code § 476A.6. The decision criteria are: 1) whether the facility is consistent with legislative intent, the economic development policy of the state, and will not be detrimental to provision of adequate and reliable electric service; 2) whether the applicant will construct, maintain, and operate the facility pursuant to the provisions of the certificate; and 3) whether the construction, maintenance, and operation of the facility are consistent with reasonable land use and environmental policies.

The first criteria relates to the provision of adequate and reliable service. Ames Municipal has provided sufficient information to establish the need for the facility and the facility is consistent with the legislative intent expressed in Iowa Code

§ 476.53 to develop generation in Iowa to serve Iowa consumers. The facility also supports economic development policies by creating jobs and improving the energy infrastructure.

From the information provided by Ames Municipal, the facility does not require new transmission lines and Ames Municipal does not anticipate that the project will have any detrimental impact on the provision of adequate and reliable service. Ames Municipal has retained a firm to perform a transmission impact study to be completed in December 2004 and submitted to the Mid-Continent Area Power Pool (MAPP) design review committee for review and approval. As a condition of this waiver, Ames Municipal will be required to complete the system impact studies and receive the proper interconnection approvals from MAPP and the Midwest Independent Transmission System Operator (MISO), as appropriate. Ames Municipal will also be required to comply with the terms and conditions of all current and future transmission authorization given by each entity having authority over interconnection and utilization of the transmission system by the proposed facility. Finally, Ames Municipal will be required to file with the Board copies of all transmission and system impact studies that it conducts to comply with MAPP and MISO requirements.

The second criterion is of little value in this case. A certificate, if required, would merely state that Ames Municipal must comply with applicable law. Ames Municipal is subject to statutory requirements regardless of whether an actual certificate is issued. For example, Iowa Code § 476A.2(2) provides that Board approval must be obtained for any significant alteration to a facility. Granting this

waiver would not exempt Ames Municipal from this or any other statutory requirement with respect to its future activities.

The final decision criterion relates to environmental factors. Environmental permits are within the purview of the IDNR and the Board has traditionally deferred to IDNR's expertise in these areas and has found this criterion satisfied if IDNR issues the appropriate permits. Here, it appears that the IDNR has issued the air quality permit. The Board finds that the waiver request adequately addresses the decision criteria for a generating certificate and will therefore waive the requirements of Chapter 476A. The waiver will not detrimentally affect the public interest. However, the Board reminds Ames Municipal that it must obtain any other applicable environmental permits and comply with any other state and local regulations, such as zoning or land use restrictions.

Rule 199 IAC 24.15 requires that generation siting requests be served on "all owners of record of real property that adjoins the proposed facility site." In its supplemental filing on October 11, 2004, Ames Municipal indicated that all parcels adjoining the proposed facility site are owned by the city of Ames and, therefore, Ames Municipal was not required to serve copies of the waiver request on any other landowners.

IT IS THEREFORE ORDERED:

1. The request for waiver filed by Ames Municipal Electric Utility on September 28, 2004, is granted, conditioned upon Ames Municipal conducting appropriate transmission system impact studies and receiving all appropriate

interconnection and transmission request approvals from appropriate reliability authorities as set forth in the body of this order.

2. Ames Municipal shall promptly file with the Board copies of all transmission and system impact studies that it conducts to comply with MAPP and MISO requirements.

UTILITIES BOARD

/s/ Diane Munns

/s/ Mark O. Lambert

ATTEST:

/s/ Judi K. Cooper
Executive Secretary

/s/ Elliott Smith

Dated at Des Moines, Iowa, this 5th day of November, 2004.